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SUBJECT: POST RECOMMENDATIONS ON GLOBAL FUND PHASE 2 RENEWALS

REF: SECSTATE 129571

1. Following is post review on the overall grant for Sri Lanka under the Global Fund. Due to limited time available for responses, this cable will provide general comments on the performance of the Global Fund for Tuberculosis and Malaria collectively, based on post discussion with key stakeholders to the project.

Sri Lanka/South East Asia

2. The implementation of the Global Fund in Sri Lanka for Tuberculosis and Malaria has reported encouraging results, although there is room for improvement in terms of the operational aspects and structure of the Country Coordinating Mechanisms (CCM). Some NGO's representing the CCM are of the view that the government tends to dominate proceedings at the CCM with NGO's not given due consideration as per the mandate of the Global Fund. The frequent participation of the current Minister of Health at CCM meetings does not create a conducive environment for productive discussion and active participation by all representatives. The venue of CCM meetings in recent times are within the Ministry of Health (MOH) and not a neutral venue. This also serves to heighten government ownership of the program. According to World Banks sources, Sri Lanka's health sector services are largely provided by the government, unlike other countries in the region. Therefore, government direction is to be expected in health sector programs.

3. According to the principal recipient for NGOs, a sub-recipient for the TB program has not been suitable in terms of capacity and financial accountability. The CCM approved payment to the sub-recipient is based on an independent assessment. However, questions remain on the financial veracity of the sub-recipient. Suggestions have been tabled at a recent CCM meeting for financial audits of funding to recipients that demonstrate lack of a framework thus far for financial accountability within the existing CCM structure in the country. The TB program of the MOH has brought positive results in terms of number of detections, treatment and public awareness campaigns, according to the principal recipient for the NGO sector.

4. A key issue raised by NGOs pertains to procurement. There is heavy political pressure on contracts and the principal NGO recipient to award contracts to suppliers with political affiliation. According to the principal recipient, the government has expressed keen interest in handling all procurement for the program.

5. The Secretary to the MOH (who chairs the CCM) states that although some difficulties have been experienced, there have been no major issues hindering the progress of the programs. Funding disbursement is a major constraint for development in the country, given inefficiencies in the government bureaucracy. Funding disbursement is also an issue for the global fund, though not at the same unproductive level. The Secretary recommends certain changes and improvements to the CCM such as a permanent secretariat, a constitution and reduction of CCM membership, as he believes the present number is too large and unwieldy.

6. Comment: The structure of the CCM needs to be reviewed in terms of the responsibility of all members towards achieving Global Fund goals. Currently, there does not seem to be an equal partnership between government, NGOs, civil society and private sector, with the government dominating CCM proceedings. Private Sector participation appears to be nominal. Mechanisms to ensure transparency and financial accountability need to be applied to the CCM in order to select qualified and competent recipients and ensure funds are utilized appropriately. The government's role in procurement should be examined, as widespread corruption reportedly prevails in government purchases. Funding could be continued at current levels as there is widespread consensus that the Global Fund can play an important role in combating the spread of malaria, tuberculosis and HIV/Aids in Sri Lanka if all stakeholders participate equally in the program and necessary accounting systems are incorporated into the CCM.

7. These comments are a summary of the overall performance of Global Fund in Sri Lanka. Post will be happy to provide any clarifications on requests concerning specific aspects of the Global Fund in Sri Lanka. Embassy contact is Richard Merrin (MerrinRC@state.gov).

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